(d) whether Indian private parties have agreed to set up power projects in Nepal; and

(e) if so, the details thereof?

THE MINISTER OF POWER (SHRI R. KUMARAMANGALAM): (a) A "Treaty" concerning the integrated development of the Mahakali river was signed in February 1996. Govt. of India has agreed to supply 300 cusecs of water from Tanakpur in the dry season and 70 MU of power free of cost. Both countries have agreed to implement the Pancheshwar multi-purpose project as an integrated project. The Detailed Project Report for the Pancheshwar multi-purpose project would be prepared after discussions between experts of the two countries. A number of meetings of the Joint Group of Experts of the Pancheshwar project has been held. The joint group of Experts have identified the important issues which require to be resolved in order to finalise the Detailed Project Report.

(b) to (e) The Government of Nepal are exploring the possibilities of development of hydro electric power through private participation.

Reforms in Power Sector

824. SHRI RAMDAS AGARWAL: Will the Minister of POWER be pleased to state:

(a) what reforms in the power sector are being contemplated by his Ministry including in areas of transmission, conservation of energy, liquid fuel projects and standardisation of fuel supply agreements, as reported in 'The Hindustan Times' dated 18th May, 1998;

(b) whether his Ministry has given three months time to the State Governments to set up the State Electricity Regulation Commission if they want to avail of subsidy on interest loans from National Power Finance Corporation, Rural Electrical Corporation etc., and if so, the details thereof; and

(c) the amount of power subsidy likely to be made in the 1998-99 budgetary allocations?

THE MINISTER OF POWER (SHRI R. KUMARAMANGALAM): (a) The reforms contemplated in the power sector relate to establishment of Electricity Regulatory Commissions both at Central and at States level for rationalisation of tariffs and matters related thereto; to recognise transmission as independent activity of generation and distribution; encouraging energy conservation and establishment of Bureau of Energy Efficiency; and standardization of liquid fuel supply agreement to be entered into by the IPPs with the Oil Public Sector Undertakings.

(b) As on date Government has not approved any such proposal.

(c) The Government of India do not provide subsidy for tariff of power in its budgetary allocation as the same is provided by the respective State Governments in their budget.

Demand and Supply of Electricity

825. SHRI O. RAJAGOPAL: Will the Minister of POWER be pleased to state:

(a) whether there is a huge gap between the demand and supply of electricity in the country;

(b) if so, what is its present status of demand and supply of electricity;

(c) since when this gap persists; and

(d) by when this gap is likely to be bridged?

THE MINISTER OF POWER (SHRI R. KUMARAMANGALM): (a) and (b) The power supply position in the Country during 1997-98 and April, 1998 is given below:

(Figures in MU net)

	1997-98	April, 98
Requirement	424505	37581
Availability	390330	34707
Shortage	34175	2874
%Shortage	8.1	7.6

(c) and (d) Inspite of significant growth in power generation over the years the shortage remains and is mainly on account of growth in load demand for power, outstripping the growth in generation.

As per the preliminary exercise undertaken by the Government, the capacity addition of 40.226 MW is assessed to be fessible during the Ninth Plan period (1997-98—2001-02). If this capacity materialises, the all India energy deficit is likely to be 1.4% by the end of Ninth Five Year Plan.

In order to further bridge the gap between supply and demand, the following steps are being taken:

— Maximisation of generation in existing power plants by Renovation & Modernisation.

— Reduction in Transmission & Distribution losses.

— Coordinated operation of Hydro, Thermal, Nuclear and Gas Turbine power stations.

— Promotion of inter-state/inter-regional power transfers.

— Demand side management.

— Conservation of energy.

Creation of Electricity Regulatory Authority

826. SHRI NARENDRA MOHAN: Will the Minister of POWER be pleased to state:

(a) how far the recently promulgated ordinance on the creation of Electricity Regulatory Authority would result in making the Power Sector self-sustaining so that continuously mounting losses could be curtailed;

(b) when will this Electricity Regulatory Authority be able to structure tariff realistically for various categories of users, especially when a three-year moratorium for the farm sector has been allowed; and

(c) what is the time-frame envisaged for meeting the avowed objective of this Ordinance, i.e. making the power-sector self-sustaining would be achieved particularly in view of divergent views being held by many State Governments?

THE MINISTER OF POWER (SHRI R. KUMARAMANGALAM): (a) and (b) The lack of credit-worthiness of State Electricity Boards (SEBs) is one of the critical problems facing the Indian Power Sector. The main reasons for the poor financial health of SEBs are on account of irrational tariff and lack of budgetary support from State Governments. As per the available informations, the total effective subsidy to agricultural and domestic sectors is over Rs. 19,200 crores during 1996-97. Of this, the State Governments proposed to compensate only Rs. 2634 crores through budgetary subventions. This is only 12.7% of the effective subsidy that the SEBs had to bear at the given levels of tariffs for agricultural and domestic sectors. SEBs, recovered around Rs. 8035 crores through cross-subsidisation. Thus the total net loss to the SEBs on account of low agricultural and domestic tariffs has been of the order of Rs. 8,500 crores. This is around 20% of the total revenue of electricity for power sale. The extent of the increase in the financial burden on SEBs during the period from 1992-93 to 1996-97 can be seen from the fact that in 1992-93 the losses on account of tariffs, after taking into account the accruals on account of budgetary subventions and cross-subsidization were on Rs. 2277 crores (i.e. around 10% of the total revenue from the power sale). The major impact of this has been:

(i) The net internal resources of SEBs needed to plan and undertake new investments have gone down from Rs. (-) 161.5 crores in 1992-93 to Rs. (-) 4482 crores in 1996-97.

(ii) High level of outstanding dues of SEBs to CPSUs has negative impact on the capacity of CPSUs to invest in capacity addition programmes. This compels CPSUs to depend upon costly borrowings from the domestic and international markets.

(iii) Poor financial health of SEBs does not permit the State Governments to extend adequate and commercially acceptable guarantees to private investors. It is assessed that escrowable capacity of SEBs can support only around 10,000 MW capacity in the power sector. Thus, despite receiving encouraging response from IPPs for investment in the power sector, the actual inflow has been below par.

The creation of Regulatory Commissions would help in rationalising tariff and also provide for cross-subsidies wherever required. The State Governments can exercise the option of providing subsidies over and above those recommended by Regulatory Commissions. Such subsidies could cover free power to agriculture, and/or to weaker sections on condition that the State Governments